SuperDrive Investments (RF) Limited

(Registration Number 2011/000895/06)

Annual Financial Statements

for the year ended 31 December 2018

In terms of S29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that the following financial statements were prepared by Louette Nel CA(SA) at Maitland Outsourced Securitisation Services Proprietary Limited, the Administrator.

The following financial statements have been audited in compliance with S30 of the Companies Act 71 of 2008 as amended.

SuperDrive Investments (RF) Limited
(Registration Number 2011/000895/06)
Annual financial statements for the year ended 31 December 2018

Contents

Directors' responsiblity statement

The directors are responsible for the preparation and fair presentation of the financial statements of SuperDrive Investments (RF) Limited, comprising the statement of financial position at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The annual financial statements set out on pages 13 to 45 which have been prepared on the going concern basis, were approved by the board of directors and were signed on 17 April 2019.

The annual financial statements were signed on the company's behalf by:

AM Koser
Director

WH Swanepoel
Director

Directors' report

The directors present their report for the year ended 31 December 2018.

Nature of business

The main purpose of the company is to acquire the rights, title and interest in vehicle instalment sale agreements, pursuant to a securitisation scheme. Funds of the securitisation scheme are raised directly or indirectly by the issue of debt instruments in order to manage the assets so acquired. The ordinary shares of the company are owned by the SuperDrive Investments Issuer Owner Trust. A separate security special purpose vehicle, SuperDrive Investments Guarantor SPV (RF) Proprietary Limited ("Security SPV"), holds and will if obliged to, realise security in the form of the instalment sale vehicle assets for the benefit of the debt security holders, having furnished a limited recourse guarantee to these parties. The company has indemnified the Security SPV in respect of claims made by the debt security holders and other creditors who are secured under the guarantee. As security for the indemnity, the company has ceded and pledged the assets of the company to the Security SPV. The ordinary shares of the Security SPV are owned by the SuperDrive Investments Guarantor SPV Owner Trust.

Financial results

The financial results of the company are set out in the financial statements and accompanying notes.

Directors' interest

The directors and officers have no interests in the company.

Share capital

Details of the authorised and issued share capital of the company appear in note 8 of the financial statements. As at 31 December 2018, BMW Financial Services (South Africa) Proprietary Limited owned the company's sole preference share. In terms of International Financial Reporting Standards (IFRS), the company is consolidated into BMW Financial Services (South Africa) Proprietary Limited's consolidated financial statements and BMW (South Africa) Proprietary Limited's consolidated financial statements.

Directors

The directors of the company during the year and to the date of this report are as follows:

Director	Appointed
WH Swanepoel (Chairman)	13 March 2014
AM Koser	1 February 2016
BJ Korb	31 December 2016
OA Ferreira (Alternate)	31 December 2016
R Thanthony	15 February 2013

Certificate by company secretary

The company designated secretary is TMF Corporate Services (South Africa) Proprietary Limited. The company secretary certifies that the company has filed all the required returns and notices in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

TMF Corporate Services (South Africa) Proprietary Limited
Company secretary
17 April 2019

Directors' report (continued)

Dividend

On 21 November 2018, a preference dividend of R50 000 000 was paid to BMW Financial Services (South Africa) Proprietary Limited, the company's sole preference shareholder.

Social and Ethics

The social and ethics committee was established as of 1 January 2017, with AM Koser, R Thanthony and BJ Korb as members.

Service providers

Administrator:
Maitland Outsourced Securitisation Services Proprietary Limited

Auditor:
KPMG Inc.

Servicer:
BMW Financial Services (South Africa) Proprietary Limited

Going Concern

The company recorded a profit of R63 837 (2017: R50 103) for the year ended 31 December 2018. As at 31 December 2018 the company had a net asset position of R113 377 (2017: R113 762).

As a result of the above, the directors believe that the company is liquid and solvent and would be able to settle it's current liabilties as they become due. Hence, the company has adequate resources to continue as a going concern for the forseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

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3rd floor, 200 on Main
Cnr Main and Bowwood Roads
Claremont
Cape Town
7708

Postal Address

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Claremont
Cape Town
7735

Corporate governance statement

The company is fully committed to the principles of the Code of Corporate Practices and Conduct ('the Code") as set out in the King IV Report on Corporate Governance. In supporting the Code, the directors recognise the need to govern the company with integrity and in accordance with generally accepted corporate practices.

For the period under review the board indicated that it was satisfied with the way in which the company applied the recommendations of King IV, or put alternative measures in place where necessary.

King IV principles have been applied on this entity. A detailed application register is available on the following website: http://www.bmwfinance.co.za.

Audit committee report

We are pleased to present our report for the financial year ended 31 December 2018.

The audit committee is an independent statutory committee appointed by the shareholder. Further duties are delegated to the audit committee by the board of directors of the company. This report includes both these sets of duties and responsibilities.

Members of the audit committee

R Thanthony (Chairperson)
WH Swanepoel
BJ Korb

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 as amended and Regulation 42 of the Companies Regulation, 2011.

Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 as amended by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

The audit committee held meetings 6 April 2018, 10 April 2018, 11 April 2018, 24 April 2018 and 10 December 2018 during which it reviewed its audit committee charter and fulfilled its responsibilities in terms thereof.

Expertise and experience of finance function

The servicing of the company’s assets is performed by BMW Financial Services (South Africa) Proprietary Limited, whilst the accounting records are prepared by Maitland Outsourced Securitisation Services Proprietary Limited (“Administrator”) (jointly hereinafter “Management”). The Servicer’s internal audit function does not directly report to the audit committee, but highlights any matters relevant to the company’s annual financial statements via the Servicer who reports to the Board.

The on-going secretarial administration of the company’s statutory records is done by TMF Corporate Services (South Africa) Proprietary Limited, a specialist trust company that provides independent directors and trustees.

Independance of external auditor

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act 71 of 2008 as amended and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in terms of the Companies Act 71 of 2008 as amended that internal governance processes within the firm support and demonstrate the claim to independence.

The company’s auditor is KPMG Inc.

The audit committee, after consultation with the Servicer and Administrator, agreed to the terms of the external auditor’s engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as parallel interaction with the Servicer, timing of the audit, the extent of the work required and the scope.

Fees paid to the auditor are disclosed in note 16 in the financial statements.

Audit committee report (continued)

Discharge of responsibilities

The committee is satisfied that, in respect of the financial year under review, it has discharged its duties and responsibilities in accordance with its terms of reference and in terms of the Companies Act 71 of 2008 as amended. The Board concurred with the assessment.

The committee performed all duties in accordance with its mandate during the year under review, including but not limited to, the following activities:

- Reviewed the reports of the external auditor regarding their audit and requested appropriate responses from management;
- Approved the external auditor's fees for the 2018 annual financial statement audit;
- Considered the independence and objectivity of the external auditor; and
- Complied with the JSE debt listing requirements.

Annual Financial Statements

Following the review by the committee of the annual financial statements of the company for the year ended 31 December 2018 and based on the information provided to it, the committee considers that, in all material respects, the company complies with the provisions of the Companies Act 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied, are appropriate.

The committee recommended the company's 2018 annual financial statements for approval by the Board on 17 April 2019.

The committee concurs with management that the adoption of the going concern status in preparation of the annual financial statements is appropriate.

On behalf of the audit committee:

R Thanthony
Chairperson of the Audit Committee
17 April 2019

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Independent auditor's report

To the shareholder of SuperDrive Investments (RF) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SuperDrive Investments (RF) Limited ("the company") set out on pages 13 to 45, which comprise the statement of financial position at 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SuperDrive Investments (RF) Limited at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Refer to accounting policy 1.1.2.2 and 1.2.2.3 and note 5 and note 20.1	
Impairment assessment of the BMW Financial Services receivable	
Key audit matter	**How the matter was addressed**
The BMW Financial Services receivable and the associated impairment provisions, represents 89.6% of total assets, and is significant in the context of the financial statements. The company adopted IFRS 9, *Financial Instruments* (IFRS 9), from 1 January 2018 which requires impairment losses to be evaluated on an expected credit loss (ECL) basis. The determination of expected losses requires significant judgements. The company is required, in terms of IFRS 9, to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR), since initial recognition. The measurement of ECLs reflects a probability weighted outcome, the time value of money and the company's best available forward-looking information. The assessment of the ECL of a financial asset or a portfolio of financial assets entails the estimation of the likelihood of default occurring and of the default correlations between counterparties. The company measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.	Our audit procedures included the following: The following procedures were performed in conjunction with our valuation specialists to evaluate the ECL: • Assessed the appropriateness of the ECL methodology by independently estimating the LGD component of the ECL methodology. • Independently re-performed the EAD for a sample of accounts. • Independently re-performed the ECL estimate using the entity's parameter inputs (PD, LGD, EAD and SICR/stage criteria) and exposure values. Performed an independent benchmarking exercise of the forward-looking macro-economic indicators in particular the GDP and prime rate by using our own economic specialist. Evaluated the design and implementation and the operating effectiveness of the key controls relating to the IFRS 9 model with the assistance of our IT audit specialists.

KPMG

Key audit matter (continued)	How the matter was addressed
The company has performed historical analyses and identified the key economic variables impacting credit risk and ECL for their BMW Financial Services receivable. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument. The company's risk division provides a forecast of economic variables and an overview of the economy on a quarterly basis. Significant judgement and estimates are applied in this process of incorporating forward looking information into the SICR assessment and ECL calculation. Due to the significance of the BMW Financial Services receivable and the significant estimates and judgements involved, the impairment of the receivable was considered to be a key audit matter.	Evaluated the inputs used by management in the ECL model by re-performing the extraction of data and comparing the results to those uploaded into the model. We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, the Audit committee report and Certificate by company secretary as required by the Companies Act of South Africa and the Directors' responsibility statement and the Corporate governance statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of SuperDrive Investments (RF) Limited for 8 years.

KPMG Inc.

Per W Pretorius
Chartered Accountant (SA)
Registered Auditor
Director
18 April 2019

Statement of financial position
at 31 December 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Deferred tax asset	2	11,818	8,165
Current tax asset	3	6,959	17,292
Derivative financial asset	4	49,878	16,652
BMW Financial Services receivable (Auto Loans)	5	5,927,028	6,137,046
Trade and other receivables	6	9,092	7,873
Cash and cash equivalents	7	610,026	426,781
Total assets		6,614,801	6,613,809
EQUITY AND LIABILITIES			
Capital and reserves		113,377	113,762
Share capital	8	-	-
Retained income		113,377	113,762
Liabilities		6,501,424	6,500,047
Subordinated loans	9	1,473,090	1,473,186
Debt securities	10	5,020,278	5,020,593
Trade and other payables	11	8,056	6,268
Total equity and liabilities		6,614,801	6,613,809

Statement of comprehensive income

	Notes	2018 R'000	2017 R'000
Interest income using effective interest rate	12.1	684,521	650,263
Other interest income	12.2	22,374	15,228
Interest expense	13	(588,544)	(528,151)
Net interest income		118,351	137,340
Other income	14	43,443	31,960
Fair value changes of derivative instruments	4	33,517	9,081
Total income		195,311	178,381
Impairment charges	15	(67,756)	(76,178)
Other expenses	16	(39,338)	(31,792)
Profit before taxation		88,217	70,411
Taxation	17	(24,380)	(20,308)
Total comprehensive income for the year		63,837	50,103

Statement of changes in equity

	Note	Share Capital	Retained income	Total
		R'000	R'000	R'000
Balance at 1 January 2017		-	143,659	143,659
Total comprehensive income for the year		-	50,103	50,103
Dividend paid on redeemable preference share		-	(80,000)	(80,000)
Balance at 31 December 2017		-	113,762	113,762
Adjustment to opening retained income for IFRS 9	1.1.2.2	-	(14,222)	(14,222)
Total comprehensive income for the year		-	63,837	63,837
Dividend paid on redeemable preference share		-	(50,000)	(50,000)
Balance at 31 December 2018		-	113,377	113,377

* Due to the financial statement being disclosed in R'000, the share capital of R100.01 does not reflect above.
Please refer to note 8.

Statement of cash flows

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Cash utilised in operations	18	(6,235)	(6,829)
Interest received	18.1	704,453	665,505
Interest paid	18.2	(588,955)	(517,303)
SARS interest received	14	4,277	-
Taxation paid	3	(12,169)	(22,789)
Net cash inflow from operating activities		101,371	118,584
Cash flows generated from / (utilised in) investing activities			
Settlement / buybacks of income earning assets		2,740,757	2,439,619
Acquistion / top-up of income earning assets	5	(2,608,883)	(3,814,455)
Net cash inflow / (outflow) from investing activities		131,874	(1,374,836)
Cash flows utilised in financing activities			
Settlement from redemption of debt securities		-	(1,111,000)
Proceeds from debt securities issued		-	2,013,000
Increase of subordinated loan	9	-	261,871
Dividend paid on redeemable preference share		(50,000)	(80,000)
Net cash (outflow) / inflow from financing activities		(50,000)	1,083,871
Net increase / (decrease) in cash and cash equivalents		183,245	(172,381)
Cash and cash equivalents at beginning of the year		426,781	599,162
Cash and cash equivalents at end of the year	7	610,026	426,781

1. Accounting policies

The company is domiciled in South Africa. All accounting policies applied are consistent with those applied in previous years, except for the adoption of IFRS 9 and IFRS 15, and are in compliance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act in South Africa.

These accounting policies represent a summary of the significant accounting policy elections of SuperDrive Investments (RF) Limited.

The financial statements set out on pages 13 to 45 which have been prepared on the going concern basis, were approved by the board of directors.

1.1 Basis of preparation

The financial statements at 31 December 2018 are prepared in accordance with the going concern principle and are presented in South African Rands (the company's functional currency) on the historical cost basis, except for the derivative financial instruments, which are stated at fair value. The accounting policies are consistent with those applied in the previous years, except for the adoption of IFRS 9 and IFRS 15.

Rounding policy

All amounts are presented in Rand thousand (R'000). The company has a policy of rounding in increments of R500. Amounts less than R500 will therefore round down to R nil and are presented as a dash.

1.1.1 Judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year except for the application of new IFRS 9 standard. Included below are all the critical accounting estimates, assumptions and judgements made by the company, except those related to fair value measurement which are included in note 21.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2.2.3 - Impairment of financial assets
- Note 1.4 - Taxation

1. Accounting policies (continued)

1.1.2 Change in accounting policies

The company has adopted IFRS 15 and IFRS 9 from 1 January 2018.

1.1.2.1 IFRS 15

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective and implemented by the group from 1 January 2018.

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition. The company has performed an assessment to determine the impact of the new standard on the statement of financial position and performance, which resulted in no changes to the accounting treatment of revenue.

Revenue

The company assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15. If so, the revenue will be recognised only when the company can:

- identify the contract;
- identify the performance obligation;
- determine the transaction price; and
- recognise the revenue as and when the performance obligation is satisfied.

The company is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the company will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The company recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

Refer to accounting policy note 1.5 and 1.6 for detailed accounting policies for all revenue categories.

1.1.2.2 IFRS 9

The new requirements contained in IFRS 9 (Financial Instruments) relating to the classification and measurement of financial instruments were applied retrospectively by the company in the financial year 2018. The available exemption not to adjust comparative information for previous periods was applied. Accordingly, only the opening retained earnings and statement of financial position at 1 January 2018 were adjusted. Information on accounting in accordance with IFRS 9 is provided in note 1.2 in the accounting policies as well as note 20.1.

Prior to the adoption of IFRS 9, financial instruments were accounted for in accordance with IAS 39. In accordance with those requirements, the company’s financial assets were allocated to either cash or to the categories “loans and receivables at amortised cost" or “held for trading”. Financial liabilities were allocated to the categories “loans and borrowings at amortised cost" or "held for trading". On initial recognition, financial instruments accounted for in accordance with IAS 39 were measured at fair value, whereby transaction costs were taken into account except in the case of financial instruments allocated to the category “held for trading”. Subsequent to initial recognition, held-for-trading financial instruments and financial assets for which the fair value option was applied were measured at their fair value. Financial assets that were classified as "loans and receivables at amortised cost" and financial liabilities that were classified as "loans and borrowings at amortised cost" were subsequently measured at amortised cost using the effective interest method. The IAS 39 impairment model was based on a regular determination of whether objective evidence indicated that impairment had already occurred. For the purposes of assessing possible impairment, all available information, such as market conditions and prices as well as the length of time and the scale of the decline in value were taken into account.

1. Accounting policies (continued)

1.1.2 Change in accounting policies (continued)

1.1.2.2 IFRS 9 (continued)

	Classification		Measurement				
	IAS 39	IFRS 9	IAS 39	Changes to opening balances	IFRS 9 - restated balance	Deferred taxation	Retained income
			R'000	R'000	R'000	R'000	R'000
Financial Assets							
Derivative financial asset (a)	Held for trading	At fair value through profit or loss	16 652	-	16 652	-	-
BMW Financial Services receivable (Auto Loans) (b)	Loans and receivable	At Amortised cost	6 137 046	(19 754)	6 117 292	5 531	(14 222)
Trade and other receivables	Loans and receivable	At Amortised cost	7 873	-	7 873	-	-
Cash and cash equivalents	Cash	At Amortised cost	426 781	-	426 781	-	-
Total financial Assets			**6 588 352**	**(19 754)**	**6 568 598**	**5 531**	**(14 222)**
Financial Liabilities							
Debt securities	Loans and borrowing	At Amortised cost	5 020 593	-	5 020 593	-	-
Subordinated loans	Loans and borrowing	At Amortised cost	1 473 186	-	1 473 186	-	-
Trade and other payables	Loans and borrowing	At Amortised cost	6 268	-	6 268	-	-
Total Financial liabilities			**6 500 047**	**-**	**6 500 047**	**-**	**-**
Total impact to equity							**(14 222)**

a) Derivative financial asset was reclassified from "held for trading" to the category “at fair value through profit or loss”. There was no difference between carrying amounts pursuant to IAS 39 and IFRS 9 as at 1 January 2018.

b) Adjustment of impairment allowances in accordance with the new requirements of IFRS 9. The following table shows the adjustments made to impairment allowances in the company statement of financial position as a result of the first-time application of IFRS 9.

	Impairment allowance	Adjustment to impairment allowance (IFRS 9)	Impairment allowance
	31-Dec-17	1-Jan-18	1-Jan-18
BMW Financial Services receivable (Auto Loans)	171,896	19,754	191,650

1. Accounting policies (continued)

1.1.2 Change in accounting policies (continued)

1.1.2.3 IFRS 7 (Financial Instruments: Disclosures)

For notes disclosures the consequential amendments to IFRS 7: Financial Instruments: Disclosures have also been applied only to the current period. Notes disclosures for the comparative period repeat those disclosures made in the previous year.

1.2 Financial instruments

1.2.1 Recognition and de-recognition

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risk and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

1.2.2 Financial assets

1.2.2.1 Classification

From 1 January 2018 the company applies IFRS 9 and classifies its financial assets in the following measurement categories:

- At fair value through profit or lost ("FVTPL") and
- At amortised cost.

The classification of financial assets depends on:

- the business model within which the financial assets are held and managed; and
- the contractual cashflow characteristics of the financial assets, i.e. whether the cashflows represent 'solely payments of principal and interest'.

Business model assessment

The company makes an assessment of the objective of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management.

The company financial assets includes BMW Financial Services receivable, derivative financial assets, trade and other receivable and cash and cash equivalents.

Depending on the business model and the structure of contractual cash flows, financial assets are classified as follows:

- At amortised cost
  The three instruments classified as "at amortised cost" are: BMW Financial Services receivable (Auto Loans), Trade and other receivables as well as Cash and cash equivalents.

- At fair value through profit or loss
  All other financial assets are classified at FVTPL.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.2 Financial assets (continued)

1.2.2.2 Measurement (Financial assets)

Financial assets are initially measured at their fair value plus, in case of financial assets not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of financial instruments.

Subsequent to initial recognition, financial assets which are classified as 'at amortised cost' are measured at amortised cost. The 'amortised cost' is the amount at which financial assets are measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowed before 1 January 2018).

Subsequent to initial recognition, financial assets which are classified as 'at FVTPL' are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term liabilities. Cash and cash equivalents are stated at amortised cost, which approximates fair value.

Trade and other receivables

Trade and other receivables are stated at amortised cost.

BMW Financial Services receivables (Auto Loans)

BMW Financial Services receivables (Auto Loans) are measured at amortised cost using the effective interest rate method.

Derivative financial assets

Derivative financial assets are used within the company for economic hedging purposes in order to reduce interest rate risk, arising from operating activities and the related financing requirements.

All derivative financial assets are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments. The supply of data to the model used to calculate fair values also takes into account tenor and currency basis spreads. In addition, the company’s own default risk and that of counterparties is taken into account on the basis of credit default swap values for market contracts with matching terms.

The company applies the option of measuring the credit risk for a group of financial assets and financial liabilities on the basis of its net exposure. Portfolio-based value adjustments to the individual financial assets and financial liabilities are allocated using the relative fair value approach (net method).

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.2 Financial assets (continued)

1.2.2.3 Impairment of financial assets (Policy applicable from 1 January 2018)

The company applies the general approach described in IFRS 9 to determine impairment of financial assets. Under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach).

In the case of credit-impaired assets which had not been credit-impaired at the time they were acquired or originated, an impairment allowance is recognised at an amount equal to lifetime expected credit losses (stage 3).

As a general rule, the company assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of stage 3 assets, interest income is calculated on the asset's carrying amount less any impairment loss.

Loss allowances on receivables are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (for instance forecasts of key performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation to actual credit losses.

Trade and other receivables

The company applies the simplified approach described in IFRS 9, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 - simplified approach).

1.2.2.4 Impairment of financial assets (Policy applicable before 1 January 2018)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The criteria, which is used to determine if there is objective evidence, includes an analysis of the historical performance of the portfolio and a review of the delinquency statistics.

Any impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in companies that share similar credit risk characteristics.

1. Accounting policies (continued)

1.2.3 Financial liabilities

1.2.3.1 Classification

Management determines the classification of financial liabilities at initial recognition. The company classified its financial liabilities in two categories:

- At amortised cost

  The instruments classified as "at amortised cost" are: Debt securities, Subordinated loans and Trade and other payables
- At fair value through profit or loss

  All other financial liabilities are classified as at FVTPL

1.2.3.2 Measurement

Financial liabilities at amortised cost are initially measured at fair value including transaction costs, and subsequently at amortised cost using the effective interest method.

Derivatives are measured at fair value through profit or loss.

1.2.4 Offsetting financial instruments

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.2.5 Write off

The company writes off financial assets when it has no reasonable expectation of recovering the amounts concerned. This may be the case, for instance, if the debtor is deemed not to have sufficient assets or other sources of income to service the debt.

1.3 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.4 Taxation

The calculation of the company's taxation charge and provision for income taxes necessarily involves a degree of estimation and judgement. There are transactions and taxation computations for which the ultimate taxation treatment or result is uncertain, or in respect of which the relevant taxation authorities may or could indicate disagreement with the company’s treatment and accordingly the final taxation charge cannot be determined until resolution has been reached with the relevant taxation authority.

Income tax expense includes current and deferred tax. Income tax expense is recognised in profit and loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

The company recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation assets and liabilities in the reporting period in which such determination is made.

1. Accounting policies (continued)

1.4 Taxation (continued)

Deferred tax is provided for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided, is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The company has a deferred taxation asset balance and is currently trading and expected to make profits which will enable them to recover the deferred taxation asset.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expense (income)

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will recognised in other comprehensive income.
- directly in equity, will recognised directly in equity.

1.5 Net interest income

Interest is recognised at the effective yield method rates of interest per contract. Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Fee income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income in terms of IFRS 9.

1. Accounting policies (continued)

1.6 Other income

Other income mainly includes settlement revenue, administration fee income and SARS interest income. This income is recognised as the related services are performed.

Administration fee income
The company earns fees from a range of services it provides to clients and these are accounted for as follows:

- o Income earned on the execution of a significant performance obligation is recognised when the significant performance obligation has been performed.
- o Income earned from the provision of services is recognised over time as the performance obligation is fulfilled.
- o Fees charged for servicing a loan are recognised in revenue as the performance obligation is provided, which in most instances occurs monthly when the fees are levied.

1.7 Standards and interpretations not yet effective

The following standards and interpretations have been issued but are not yet effective and management is in the process of assessing the impact of these standards:

IFRS 16: Leases
Effective date: For financial years beginning on or after 1 January 2019.

Description of change

New standard introducing a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Description of impact

We have assessed the impact of IFRS 16 on the company, however this standard is not applicable to the company because there are no leases.

IFRS 17: Insurance contracts

IFRS 17 supersedes IFRS 4: Insurance Contracts and aims to increase comparability and transparency about profitability.

This standard is not applicable to the company.

IFRIC 23: Uncertainty over Income Tax Treatments
Effective date: For financial years beginning on or after 1 January 2019.

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

The company does not expect that the adoption of this interpretation note will have a material impact on the financial statements of the company in future periods, since the only uncertainties in accounting that impact the income taxes of the company relates to provision for doubtful debt. However, this is not considered to be significant.

Notes to the annual financial statements

	2018 R '000	2017 R '000

2. Deferred tax

The following are the major deferred tax assets recognised by the company and movements thereon, during the current reporting period.

Deferred tax analysis		
Allowance for credit losses	19,565	12,629
Income not recognised for accounting purposes	6,035	-
Derivative financial asset	(13,857)	(4,473)
Provisions	75	9
	11,818	8,165

Deferred tax reconciliation		
Deferred tax asset at beginning of the year	8,165	4,449
Fair value changes of derivative instruments	(9,384)	(2,542)
Allowance for credit losses	1,405	6,258
Income not recognised for accounting purposes	6,035	-
Provisions	66	-
Adoption of IFRS 9 (adjustment to retained earnings)	5,531	-
Deferred tax asset at end of the year	11,818	8,165

3. Current tax asset

Balance at the beginning of the year	17,292	18,527
Payment to SARS	12,169	22,789
Current taxation	(22,502)	(24,024)
Balance owing by SARS at year end	6,959	17,292

4. Derivative financial asset

At fair value through profit and loss Interest rate swap		
Balance at beginning of the year	16,652	7,249
Fair value changes of interest rate swap	33,517	9,081
Interest accrued throughout the period	(22,665)	(14,906)
Interest received throughout the period	22,374	15,228
Balance at the end of the year	49,878	16,652

An interest rate swap agreement has been entered into between The Standard Bank of South Africa Limited and SuperDrive Investments (RF) Limited. This is to hedge the quarterly interest rate risk that may occur due to SuperDrive Investments (RF) Limited receiving prime linked interest from borrowers, yet paying JIBAR linked interest on all the classes of asset backed securities. This derivative is classified as at fair value through profit and loss and hedge accounting is not applied.

Notes to the annual financial statements

5. BMW Financial Services receivable (Auto Loans)

BMW Financial Services (South Africa) Proprietary Limited ("BMW Financial Services") legally sold a portion of auto loans to SuperDrive Investments (RF) Limited. However, since BMW Financial Services is also the provider of the subordinated loan, the substance of the transaction was that the accounting derecognition criteria to transfer the significant risks and rewards of ownership, were not met.

Thus an intercompany receivable is recognised for the consideration paid for these assets to BMW Financial Services. The cash flows arising from this asset are directly attributable to the auto loans and thus, the following disclosure is appropriate and useful to the users of these financial statements, as the carrying amount of the receivable will fluctuate in line with the auto loan balances.

	2018 R '000	2017 R '000
BMW Financial Services receivable (Auto Loans)	7,572,820	7,851,727
Unearned finance charges	(1,378,163)	(1,542,785)
Impairments	(267,629)	(171,896)
	5,927,028	6,137,046
Reconciliation of movement in balance		
Balance at beginning of the year	6,137,046	4,838,388
Adjustment to opening balance for IFRS 9	(19,754)	-
Adjusted balance at the beginning of the year	6,117,292	4,838,388
Acquisitions	2,608,883	3,814,455
Top ups for the year	2,608,883	3,814,455
Settlements	(2,694,980)	(2,405,248)
Buybacks	(36,411)	(34,371)
Impairments	(67,756)	(76,178)
Impairment (raised) / reversed - Stage 3 (refer note 15)	(50,877)	5,759
Impairment raised - Stage 1 & Stage 2 (refer note 15)	(15,738)	(30,277)
Write-offs - refer note 15	(1,141)	(51,660)
At end of the year	5,927,028	6,137,046

The company has pledged BMW Financial Services receivable (Auto Loans) amounting to R5 911 559 414 (2017: R6 186 776 218) as collateral to the note holders. The associated liabilities of R 5 020 277 627 (2017: R5 020 593 119) are disclosed in note 10.

These transactions are entered into under terms and conditions that are standard industry practice in securitisation funding structures.

Notes to the annual financial statements

	2018 R '000	2017 R '000
6. Trade and other receivables		
Prepayments	5	5
Interest accrued	2,836	394
VAT receivable	6,251	7,474
	9,092	7,873

The carrying value of trade and other receivables approximates the fair value.

	2018 R '000	2017 R '000
7. Cash and cash equivalents		
Current bank account	2	2
Collections bank account	560,294	377,049
Permitted investments bank account	49,730	49,730
	610,026	426,781

The permitted investments bank account includes the cash reserve of R49 730 000 (2017: R49 730 000), which is available for use in the event of a shortfall in available funds which is needed to meet the payment of specified items in terms of the priority of payments per the programme memorandum. The carrying value of cash and cash equivalents approximates fair value, since they are short term in nature.

8. Share capital

Authorised and issued share capital

	2018 R '000	2017 R '000
Authorised		
995 Ordinary shares of R1 par value each	-	-
500 Cumulative redeemable preference shares of R0.01 each	-	-
Issued and fully paid		
100 Ordinary shares of R1 par value each	-	-
1 Cumulative redeemable preference shares of R0.01 each	-	-

The authorised share capital consists of 995 ordinary shares with a par value of R1 each. The share capital issued, consists of 100 ordinary shares with a par value of R1 per share. Due to the financial statements being disclosed in R’000, the share capital of R100 does not reflect above.

The authorised preference share capital consists of 500 cumulative redeemable preference shares with a par value of R0.01 each. The preference share capital issued, consists of 1 preference share at a par value of R0.01 per share. Due to the financial statements being disclosed in R’000, the preference share capital of R0.01 does not reflect above.

One cumulative redeemable preference share with a par value of R0.01 has been issued to BMW Financial Services. Dividends are payable when declared by the directors, after consideration of the financial circumstances of the Company, based on liquidity and solvency tests. The preference share is redeemable at the option of the holder, at any time after the date that the final debt securities are redeemed.

Notes to the annual financial statements

	2018	2017
	R '000	R '000

9. Subordinated loans

Movement in subordinated loans		
Balance at the beginning of the year	1,473,186	1,208,057
Increase of subordinated loan	-	261,871
Repayment of accrued interest	(17,322)	(14,064)
Accrued unpaid interest	17,226	17,322
	1,473,090	1,473,186

This loan was provided by BMW Financial Services and was subordinated to creditors in terms of a subordinated loan agreement. Interest is calculated monthly in arrears on the principal amount owing at JIBAR + 3.5% and is payable to BMW Financial Services, subject to the priority of payments. The loan is repayable as and when cash is available to make such payments in accordance with the priority of payments agreement.

No defaults of principal or interest payments have occurred during the year under review.

10. Debt securities

2018:	Total	Debt Securities	Accrued Interest
	R '000	R '000	R '000
Class A6	522,811	518,000	4,811
Class A7	301,820	299,000	2,820
Class A8	918,851	910,000	8,851
Class A9	639,004	633,000	6,004
Class A10	605,796	600,000	5,796
Class A11	1,003,286	994,000	9,286
Class A12	1,028,710	1,019,000	9,710
	5,020,278	4,973,000	47,278

Notes to the annual financial statements

10. Debt securities (continued)

2017:	Total	Debt Securities	Accrued Interest
	R '000	R '000	R '000
Class A6	522,844	518,000	4,844
Class A7	301,839	299,000	2,839
Class A8	918,908	910,000	8,908
Class A9	639,044	633,000	6,044
Class A10	605,834	600,000	5,834
Class A11	1,003,350	994,000	9,350
Class A12	1,028,774	1,019,000	9,774
	5,020,593	4,973,000	47,593

Class of securities	Interest rate	Rate at year end 2018	Rate at year end 2017	Maturity Date
Class A6	1.45% above 3 month JIBAR	8.600%	8.608%	21-Aug-19
Class A7	1.58% above 3 month JIBAR	8.730%	8.738%	21-Aug-19
Class A8	1.85% above 3 month JIBAR	9.000%	9.008%	21-Aug-21
Class A9	1.63% above 3 month JIBAR	8.780%	8.788%	21-Aug-19
Class A10	1.79% above 3 month JIBAR	8.940%	8.948%	21-Aug-21
Class A11	1.50% above 3 month JIBAR	8.650%	8.658%	21-Aug-20
Class A12	1.67% above 3 month JIBAR	8.820%	8.828%	21-Aug-22

Interest rates on all notes are reset quarterly.

	2018	2017
	R '000	R '000
Movement in debt securities		
Balance at the beginning of the year	5,020,593	4,071,000
Accrued interest paid	(47,593)	-
Accrued interest	47,278	47,593
Notes issued	-	2,013,000
Notes redeemed	-	(1,111,000)
	5,020,278	5,020,593

11. Trade and other payables

	2018	2017
Accrual accounts payable	3,947	2,844
Sundry creditors	4,109	3,424
	8,056	6,268

The carrying value of trade and other payables approximates the fair value.

Notes to the annual financial statements

	2018 R '000	2017 R '000
12. Interest income		
12.1 Interest income using the effective interest rate		
Interest income on financial assets at amortised cost:		
Interest on BMW Financial Services receivable (Auto Loans)	654,930	616,231
Interest on call account	23,679	30,947
Interest on cash reserves	5,912	3,085
	684,521	650,263
12.2 Other interest income		
Interest income on financial assets at fair value through profit or loss:		
Interest on swap	22,374	15,228
	706,895	665,491

	2018 R '000	2017 R '000
13. Interest Expense		
Interest expense on financial liabilities at amortised cost:		
Interest on subordinated loan	157,178	138,871
Interest on Class A4 notes	-	38,107
Interest on Class A5 notes	-	23,693
Interest on Class A6 notes	43,896	45,024
Interest on Class A7 notes	25,726	26,377
Interest on Class A8 notes	80,755	82,736
Interest on Class A9 notes	54,781	56,164
Interest on Class A10 notes	52,885	54,196
Interest on Class A11 notes	84,730	30,791
Interest on Class A12 notes	88,593	32,192
	588,544	528,151

	2018 R '000	2017 R '000
14. Other income		
Retail settlement revenue	26,163	20,953
Retail administration fee	13,003	11,007
SARS interest received	4,277	-
	43,443	31,960

Notes to the annual financial statements

15. Impairment charges

2018:

	Stage 1	Stage 2	Stage 3	Write-offs	Total
	R'000	R'000	R'000	R'000	R'000
Amount per IFRS 9	7,356	8,382	50,877	1,141	67,756

2017:

	Non-performing loans	Performing loans	Write-offs	Total
	R'000	R'000	R'000	R'000
Amount per IAS 39	(5,759)	30,277	51,660	76,178

	2018	2017
	R '000	R '000

16. Other expenses

Other expenses include the following:		
Audit fees	211	300
Directors' fees	175	160
Liquidity facility commitment, backup servicer and admin fees	4,233	2,203
Servicer fee	30,392	25,448
VAT apportionment expense (unclaimable VAT input)	4,327	3,681
	39,338	31,792

17. Taxation

South African normal taxation:		
- current year tax	22,502	24,024
- deferred tax (note 2)	1,878	(3,716)
	24,380	20,308

Taxation rate reconciliation:		
Taxation at standard rate	28.00%	28.00%
Permanent differences (SARS penalties and interest)	0.36%	0.84%
Effective tax rate per statement of comprehensive income	27.64%	28.84%

Notes to the annual financial statements

	2018 R '000	2017 R '000
18. Cash utilised in operations		
Profit before taxation	88,217	70,411
Adjusted for non-cash items:		
Fair value changes of derivative instruments	(33,517)	(9,081)
Impairment charges	67,756	76,178
Cash generated before working capital changes	122,456	137,508
Changes in working capital:	(6,063)	(6,997)
Decrease / (increase) in trade and other receivables	1,223	(7,279)
Increase in trade and other payables	1,788	604
Non-cash flow item related to impairment of legal debtors	(9,365)	-
Decrease / (increase) in derivative financial asset	291	(322)
Interest income	(706,895)	(665,491)
Interest expense	588,544	528,151
SARS Interest received (refer note 14)	(4,277)	-
Cash utilised in operations	(6,235)	(6,829)
18.1 Interest received		
Interest income	706,895	665,491
Movement in interest accrual	(2,442)	14
Interest accrued current year	(2,836)	(394)
Interest accrued prior year	394	408
Cashflow	704,453	665,505
18.2 Interest paid		
Interest expense	(588,544)	(528,151)
Movement in interest accrual	(411)	10,848
Interest accrued current year	64,503	64,914
Interest accrued prior year	(64,914)	(54,066)
Cashflow	(588,955)	(517,303)

Notes to the annual financial statements

19. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements. In the ordinary course of business, the company enters into various transactions with related parties.

SuperDrive Investments Issuer Owner Trust owns the company's ordinary shares. BMW Financial Services owns the company's sole preference share. In terms of International Financial Reporting Standards (IFRS), the company is consolidated into BMW Financial Services' consolidated financial statements and BMW (South Africa) Proprietary Limited's consolidated financial statements.

19.1 Related party transaction with BMW Financial Services

Financing
Subordinated funding has been provided by BMW Financial Services. Interest expense on subordinated funding amounted to R157 178 223 (2017: R138 870 839) for the year. Refer note 13.

The following transactions which took place between BMW Financial Services and SuperDrive Investments (RF) Limited, are at arms length, settled via a transfer of funds and unless stated otherwise in the relevant note, are unsecured and no guarantees have been given or received:

Purchase of additional auto loans
The company had normal top ups of R2 608 882 503 (2017: R3 814 454 758) for the year. Refer note 5.

Settlements
The company paid settlements of R2 694 981 451 (2017: R2 405 247 769) for the year. Refer note 5.

Buybacks
BMW Financial Services bought back assets to the value of R36 410 616 (2017: R34 371 073) for the year. Refer note 5.

Interest income
The company received interest income from BMW Financial Services to the value of R654 930 172 (2017: R616 230 333) for the year. Refer note 12.

BMW Financial Services receivable (Auto Loans)
The company has an amount receivable of R5 927 027 664 (2017: R6 137 046 218) from BMW Financial Services in respect of auto loans legally acquired. Refer to note 5.

BMW Financial Services is the appointed service provider. The servicing fee for the year amounted to R30 392 105 (2017: R25 448 327). Refer to note 16.

19.2 Key management personnel

The company has no employees, and therefore no key management personnel compensation was paid during the year.

19. Related parties (continued)

19.3 Directors’ fees

All of the directors of the company are employed by external companies, and are remunerated by their respective employer on a separate basis. There were no remuneration or benefits paid directly to the directors of the company, by the company or any other company within the same group of companies, as defined by the Companies Act during the current or prior years. Four directors are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited (third party service provider) on a separate basis. BMW Financial Services (South Africa) Proprietary Limited representative director is not remunerated for his services by the company.

Directors’ fees of R175 419 (2017: R160 337) were paid to TMF Corporate Services (South Africa) Proprietary Limited (third party service provider), as employer of the majority of the directors, to provide corporate governance and other fiduciary services to the company, which are included in other expenses. Refer to note 16.

20. Risk Management

The company has exposure to the following risk from its use of financial instruments:
- Credit risk
- Liquidity risk
- Interest rate risk

20.1 Credit risk

BMW Financial Services legally sold a portion of auto loans to the company. As a result, exposure to credit risk arises if auto loans customers partially fulfil contractual obligations. BMW Financial Services has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The company is exposed to credit risks, which is managed by BMW Financial Services by authorising credit limits based on a client's risk profile and monitoring customer arrears and payment history. Credit risk arises from exposures to retail customer contracts, including outstanding receivables, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

BMW Financial Services Receivables (Auto Loans)

Retail customers are evaluated by using a credit risk assessment system or scorecard developed by the BMW Group. Based on the applicant's credit risk standing and affordability profile, the risk of default is assessed and if acceptable, an appropriate interest rate is charged for the deal.

Changes in the creditworthiness of customers arising during the credit term are covered by risk provisioning procedures. The credit risk of the individual portfolio is quantified on a monthly basis and, depending on the outcome, taken into account within the risk provisioning system. Macroeconomic developments are currently subject to a higher degree of volatility. If developments are more favourable than assumed in the outlook, credit losses may be reduced, leading to a positive earnings impact.

Trade and other receivables

Trade receivables are mostly receivables that includes credit risk exposure that relates to the bank. Given the nature of these receivables, management does not expect any counterparty to default on meeting its obligations.

Notes to the annual financial statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Cash and cash equivalents

Reputable financial institutions are used for investing and cash handling purposes. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Impairment

IFRS 9 outlines a three stage model for impairment, based on changes in credit quality since initial recognition, as summarised below:

Stage 1 - includes financial assets which do not show significant increase in their credit risk since initial recognition or which have low credit risk at the reporting date. For all assets in Stage 1 a loss allowance equal to 12 month expected credit loss ("ECL") is recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2 - includes financial assets which show significant increase in their credit risk since initial recognition but do not have objective evidence of impairment (for IFRS 9 purposes objective evidence of impairment is defined as a default). For all assets in Stage 2 a loss allowance equal to lifetime ECL is recognised, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3 - includes financial assets that have objective evidence of impairment at the reporting date (for IFRS 9 purposes objective evidence of impairment is defined as a default). For all assets in Stage 3 a loss allowance equal to lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of impairment allowance).

Assessment of significant increase in credit risk (SICR) (stage 2)

Stage 2 is comprised of all performing financial instruments that have experienced a significant increase in credit risk since initial recognition. At each reporting date the group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the probability of default ("PD"), over the remaining expected life, at the reporting date with that on the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information, and the impact of forward-looking macroeconomic factors.

The assessment is performed monthly and the following factors are considered:
- Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial recognition.
- A set of portfolio-specific qualitative criteria that are indicative of a significant increase in credit risk are used to supplement the lifetime PD comparison.
- Instruments that are more than 30 days past due are generally considered to have experienced a significant increase in credit risk.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

In the context of IFRS 9, the calculation of either 12-month (or less) or Lifetime ECLs is required, depending on the classification in the corresponding IFRS 9 stage. A 12-month ECL in this context is the expected credit loss which is due to defaults occurring within 12 months after the reporting date. Since IFRS 9 requires to calculate the provision according to the maturity of the contract, the ECL has to be also calculated for defaults occurring within a time period less than 12 months. Accordingly, a lifetime ECL is the expected credit losses which are due to defaults occurring within the (residual) lifetime of the asset.

Notes to the annual financial statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The company addresses the difficulties of the IFRS 9 – impairment requirements with a modular approach for calculating ECLs. ECL is calculated as the product of the core model components: probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD").

Credit risk exposure – BMW Financial Services receivables (Auto Loans)

IFRS 9 classes for retail finance book have been developed based on payment behavior and credit worthiness of customers. IFRS 9 class segmentation has been developed using initial rating score, former delay and delinquency information. The IFRS 9 PD model consists of 11 distinct rating classes, including the default class, three delinquency classes and a former delay class.

The following table provides analysis of the credit quality of the book as at 31 December 2018:

	2018				
IFRS 9 stage	**IFRS 9 Class**	**ECL Type**	**Number of accounts**	**EAD R'000**	**ECL R'000**
	1	12 months	81	23 471	241
Stage 1	2	12 months	7 821	1 910 577	8 185
	3	12 months	5 022	1 411 274	11 648
	4	12 months	3 818	1 053 343	14 485
	5	12 months	876	238 158	5 160
	6	12 months	477	112 553	3 082
	7	12 months	11	2 319	213
	9	12 months	2	424	114
Total stage 1			**18 108**	**4 752 119**	**43 128**
Stage 2	7	Lifetime	1 406	280 552	43 426
	8	Lifetime	102	23 807	6 256
	9	Lifetime	102	22 879	6 957
	10	Lifetime	41	9 048	2 949
Total stage 2			**1 651**	**336 286**	**59 588**
Stage 3	Default	Lifetime	**1 359**	**345 059**	**164 913**
Total ECL			**21 118**	**5 433 464**	**267 629**

Notes to the annual financial statements

20. Risk Management (continued)

20.1 Credit risk (continued)

The following table sets out information about overdue status on BMW Financial Services Receivable (Auto Loans) prior to 1 January 2018.

	2017			
	Total capital amount R'000	Capital arrears R'000	%	Number of accounts R'000
Current	5,790,078	-	-	18,931
Former delay	98,511	-	-	401
0 -30 days	141,528	141,528	2.31%	487
31 - 60 days	47,791	47,791	0.78%	151
61 - 90 days	23,159	23,159	0.38%	76
91 - 120 days	7,399	7,399	0.12%	24
121+ days	28,580	28,580	0.47%	84
Total	6,137,046	248,457	4.06%	20,154

Loss allowance

Transfers

At initial recognition, all assets are categorized in Stage 1, For the purpose of subsequent measurement it is necessary to examine whether the credit quality has deteriorated significantly. In case of a significant increase in credit risk since initial recognition and entity has to transfer the financial instrument or portfolio, provided that a collective measurement is applicable, from Stage 1 to Stage 2. Hence an entity shall determine whether the credit risk has increased significantly at each reporting date. The original risk of default at initial recognition shall be compared with the risk of default at the reporting date. For the decision about whether the PD has increased significantly since initial recognition, managment is required to compare the lifetime PDs for the residual contract period at the current reporting date with the PDs for the same period of the contracts life as estimated at initial recognition.

Financial instruments that have one or more objective evidences of impairment at the reporting date (credit-impaired assets) shall be transferred to Stage 3 and (as for assets in Stage 2) loss allowances at amounts equal to lifetime ECLs are recognised.

The company applies the Basel default criteria to identify objective evidences of impairment and, therefore, to decide whether a contract is transferred to Stage 3. This means, whenever a contract is defaulted according to the default criteria, a contract is transferred to Stage 3.

Notes to the annual financial statements

20. Risk Management (continued)

20.1 Credit risk (continued)

The following table shows reconciliation from opening to closing of the loss allowance as per IFRS 9.

	2018			
	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Impairment allowance - opening balance (IAS 39)				171,896
Changes due to IFRS 9 adoption				19,754
Impairment allowance - restated balance opening balance	35,770	51,206	104,674	191,650
Transfer to other stages	(63,616)	(70,081)	-	(133,697)
Additional changes including model parameters and transfers from other stages	70,974	78,463	61,380	210,817
Write-offs	-	-	(1,141)	(1,141)
Impairment allowance 31 December 2018	43,128	59,588	164,913	267,629

Impairment losses (applicable before 1 January 2018)

The movement in the allowance for impairment in respect of BMW Financial Services receivable (Auto Loans) during the year 2017 was as follows:

	Specific impairments R '000	Portfolio impairments R '000	Total impairments R '000
Balance at 1 January 2017	127,227	20,151	147,378
Impairment loss recognised	(5,759)	30,277	24,518
Balance at 31 December 2017	121,468	50,428	171,896

Impaired loans

Impaired loans are loans for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been structured due to deterioration in the borrower’s financial position and where the company made concessions that it would not necessarily consider under normal circumstances.

Impairment of assets

The company established an allowance for impairment that represents its estimate of incurred losses in respect of auto loans instalment sales. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Notes to the annual financial statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Impairment losses (applicable before 1 January 2018) (continued)

Assets in default

The company defines assets in default as assets that are more than one day overdue. The company have legal recovery policies in place for the repossession of vehicles which are held as collateral for retail financial contracts. Repossessed assets are sold on a public auction to the highest bidder. Proceeds from the sale of the assets are used to offset retail finance balances which are owed by the client. Any remaining balances are recovered from the client in terms of a legal recovery process.

Collateral

The company employs a range of policies and practices to mitigate credit risk. The company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral for retail finance contract is the underlying vehicle so that in the event of non-payment, the company has a secured claim.

The company does not require collateral in respect of trade and other receivables and cash and cash equivalents.

20.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial liability Obligations.

Liquidity risk is managed as follows:

- The company has a liquidity facility agreement of R248 650 000 in place with Standard Bank of South Africa to meet fund timing mismatches between the receipt by the Issuer of payments on the participating assets and the obligations of the Issuer to pay interest accrued to Noteholders in terms of the Priority of Payments from time to time.
- The cash reserve accumulated from excess spread is available to settle expenses in the event of a cash shortfall.

Maturity analysis of financial liabilities:

The maturity analysis for financial liabilities has been disclosed based on contractual undiscounted cash flows.

2018:	0-12 months	1-2 years	3-5 years	Total	Carrying Value
	R '000	R '000	R '000	R '000	R '000
Trade and other payables	(8,056)	-	-	(8,056)	(8,056)
Subordinated loans	(563,429)	(390,061)	(824,218)	(1,777,708)	(1,473,090)
Debt securities	(1,855,809)	(1,284,578)	(2,787,474)	(5,927,861)	(5,020,278)
	(2,427,294)	(1,674,639)	(3,611,692)	(7,713,625)	(6,501,424)

Notes to the annual financial statements

20. Risk Management (continued)

20.2 Liquidity risk (continued)

2017:	0-12 months R '000	1-2 years R '000	3-5 years R '000	Total R '000	Carrying Value R '000
Trade and other payables	(6,268)	-	-	(6,268)	(6,268)
Subordinated loans	(154,474)	(583,224)	(1,214,644)	(1,952,342)	(1,473,186)
Debt securities	(429,976)	(1,845,793)	(4,028,760)	(6,304,528)	(5,020,593)
	(590,718)	(2,429,017)	(5,243,404)	(8,263,138)	(6,500,047)

20.3 Interest rate risk

Interest rate risk is caused by different repricing characteristics of assets and liabilities due to changes in interest rates i.e. yield curve risk, basis risk and repricing risk.

Basis risk

Basis risk as part of interest rate risk arises due the fact that most asset cash flows are linked to the Prime rate whereas funding liabilities are usually linked to the 3-month JIBAR rate. Movements in the Prime and JIBAR rates, although mostly correlated, are not exactly the same which may lead to a widening or reduction in the difference between Prime and JIBAR and hence the net margin earned between assets and liabilities. Basis risk is monitored and measured by regular sensitivity analysis and exposure analysis and may partially be mitigated by basis swaps to adjust for the different reference rates. The market for basis risk swaps in South Africa is very small therefore basis risk is currently accepted as an inherent risk within the overall portfolio.

Interest rate risk is measured and controlled by a modern Value-at Risk historical simulation, stress tests, sensitivity and various types of exposure analysis.

In order to reduce the above risk, the company entered into Prime-JIBAR swaps.

Prime – JIBAR risk

The Prime-JIBAR rate basis risk is managed on a ratio basis, i.e. ratio of the portion of Prime-linked funding to the total Prime-linked asset portfolio. For this purpose, an appropriate amount of JIBAR funding needs to be swapped to Prime and Prime-linked plain vanilla funding should be encouraged. The company has entered into interest rate swaps to manage this risk (swapping Prime to JIBAR and vice versa).

All current securitisation programmes have an embedded Prime-JIBAR swap since it is a Moody’s requirement that the SPV may not carry any risk between the JIBAR-linked interest paid to noteholders and the Prime-linked interest earned on assets purchased. All cash and cash equivalents bear interest at a rate linked to JIBAR.

Notes to the annual financial statements

20. Risk Management (continued)

20.3 Interest rate risk (continued)

2018		Carrying value R '000	
Sensitivity	-1%	5,020,278	+1%
Interest expense on debt securities			
Impact on profit or loss	50,203		(50,203)
Sensitivity	-1%	1,473,090	+1%
Interest expense on subordinated loan			
Impact on profit or loss	14,731		(14,731)
Sensitivity	-1%	610,026	+1%
Cash and cash equivalents			
Impact on profit or loss	(6,100)		6,100
Sensitivity	-1%	5,927,028	+1%
BMW Financial Services receivable			
Impact on profit or loss	(59,270)		59,270

Sensitivity net of the above items:	(437)	437
Sensitivity after tax:	(315)	315

2017		Carrying value R '000	
Sensitivity	-1%	5,020,593	+1%
Interest expense on debt securities			
Impact on profit or loss	50,206		(50,206)
Sensitivity	-1%	1,473,186	+1%
Interest expense on subordinated loan			
Impact on profit or loss	14,732		(14,732)
Sensitivity	-1%	426,781	+1%
Cash and cash equivalents			
Impact on profit or loss	(4,268)		4,268
Sensitivity	-1%	6,137,046	+1%
BMW Financial Services receivable			
Impact on profit or loss	(61,370)		61,370

Sensitivity net of the above items:	(700)	700

Capital disclosures

Capital is not actively managed because of the nature of the legal structure of the company.
The company is not subject to any external capital regulatory requirements.

Notes to the annual financial statements

20. Risk Management (continued)

20.3 Interest rate risk (continued)

Analysis of assets and liabilities

2018	At amortised Cost	At fair value through profit and loss	Non-financial asset	Total carrying value	Non-current	Current
Assets						
	R'000	R'000	R'000	R'000	R'000	R'000
Deferred taxation	-	-	11 818	11 818	11 818	-
Current tax receivable	-	-	6 959	6 959	-	6 959
Derivative financial instruments	-	49 878	-	49 878	43 269	6 609
BMW Financial Services receivable	5 927 028	-	-	5 927 028	3 906 527	2 020 501
Trade and other receivables	2 841	-	6 251	9 092		9 092
Cash and cash equivalents	610 026	-	-	610 026		610 026
Total assets	**6 539 895**	**49 878**	**25 028**	**6 614 801**	**3 961 614**	**2 653 187**
Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Debt securities	5 020 278	-	-	5 020 278	3 523 000	1 497 278
Subordinated loans	1 473 090	-	-	1 473 090	1 034 896	438 194
Trade and other payables	8 056	-	-	8 056	-	8 056
Total Liabilities	**6 501 424**	**-**	**-**	**6 501 424**	**4 557 896**	**1 943 528**

2017	Loans and receivables at amortised cost	Held for trading	Loans and Borrowings at amortised cost	Non-financial asset	Total carrying value	Non-current	Current
Assets							
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Deferred taxation	-	-	-	8 165	8 165	8 165	-
Current tax receivable	-	-	-	17 292	17 292	-	17 292
Derivative financial instruments	-	16 652	-	-	16 652	14 947	1 705
BMW Financial Services receivable	6 137 046	-	-	-	6 137 046	4 798 614	1 338 432
Trade and other receivables	7 873	-	-	-	7 873	-	7 873
Cash and cash equivalents	426 781	-	-	-	426 781	-	426 781
Total assets	**6 571 700**	**16 652**	**-**	**25 457**	**6 613 809**	**4 821 726**	**1 792 083**
Liabilities							
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Debt securities	-	-	5 020 593	-	5 020 593	5 020 593	-
Subordinated loans	-	-	1 473 186	-	1 473 186	1 427 439	45 747
Trade and other payables	-	-	6 268	-	6 268		6 268
Total Liabilities	-	-	6 500 047	-	6 500 047	6 448 032	52 015

Notes to the annual financial statements

21. Fair value management

The fair value is calculated by obtaining fair values from quoted market prices or discounted cash flow models. At 31 December 2018 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

The carrying amount of BMW Financial Services receivable (Auto Loans) approximate fair value. The majority of the BMW Financial Services contracts are prime linked and changes in the credit risk has been taken into account in the carrying value through ECL allowance.

The carrying value of debt securities and subordinated loans approximate fair value as these are jibar-linked and the credit risk of the company has not changed since the issue of financial liabilities.

Change in estimate

In the current year, management changed the estimate of calculating fair value by discounting future cash flows at year end rates as opposed to expected future curves. This resulted in the carrying amount of the BMW Financial Services receivable (Auto Loans), debt securities and subordinated loans approximating fair value.

Fair value as at 31 December 2017

The table below sets out the gross value and fair value of those financial assets and liabilities not presented on the statement of financial position at fair value as at 31 December 2017:

	31 December 2017	
	Carrying value R' 000	Fair value R' 000
BMW Financial Services receivable (Auto Loans) (including accrued interest)	6,137,046	7,848,522
	6,137,046	7,848,522
Debt Securities (including accrued interest)	5,020,593	4,137,157
Subordinated loans	1,473,186	1,282,406
	6,493,779	5,419,563

Fair Value estimation

The estimated fair value of BMW Financial Service receivable is based on expected future cash flows discounted at current market rates. The fair value estimates will depend on customer prepayments, credit losses and expected future interest rates.

The fair value of debt securities is based on current market prices where available.

Notes to the annual financial statements

21. Fair value management (continued)

Fair Value Hierarchy

At the reporting date, the carrying amounts of financial instruments held at fair value for which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	R' 000	R' 000	R' 000	R' 000
Measured at fair value				
Derivatives	-	49,878	-	49,878
	-	49,878	-	49,878

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	R' 000	R' 000	R' 000	R' 000
Not measured at fair value				
Financial assets	-	7,848,522	-	7,848,522
Financial liabilities	-	(6,678,722)	-	(6,678,722)
Measured at fair value				
Derivatives	-	16,652	-	16,652
	-	16,652	-	16,652

The fair values of the financial assets included in the level 2 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the interest rate that reflects the credit risk of counterparties.

22. Going concern

The company recorded a profit of R63 837 (2017: R50 103) for the year ended 31 December 2018. As at 31 December 2018 the company had a net asset position of R113 377 (2017: R113 762).

As a result of the above, the directors believe that the company is liquid and solvent and would be able to settle it's current liabilties as they become due. Hence, the company has adequate resources to continue as a going concern for the forseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

23. Subsequent events

There have been no material events between 31 December 2018 and the date of this report.